

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITORS' REPORTS  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2006**



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# **SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT**

## **OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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### **BOARD OF EDUCATION**

#### **(Before September, 2005 Election)**

Kevin Ehlers	President	2006
Todd Herrig	Vice President	2007
William Johnson	Board Member	2005
Kevin Lindquist	Board Member	2007
Lisa Frye	Board Member	2006

#### **(After September, 2005 Election)**

Kevin Ehlers	President	2006
Todd Herrig	Vice President	2007
Dan Dodge	Board Member	2008
Kevin Lindquist	Board Member	2007
Lisa Frye	Board Member	2006

### **SCHOOL OFFICIALS**

Dr. Steven Callison	Superintendent
Angela Smith	District Secretary/Treasurer

### **Independent Auditors' Report**

To the Board of Education of the  
Sioux Central Community School District

We have audited the accompanying financial statements of the governmental activities, business-type activity, each major fund and the aggregate remaining fund information of Sioux Central Community School District, Sioux Rapids, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activity, each major fund, and the aggregate remaining fund information of Sioux Central Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2006, on our consideration of Sioux Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and pages 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sioux Central Community School District's basic financial statements. We did not previously audit, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004. Other supplementary information included in Schedules 1 through 5, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Williams & Company, P.C.*  
Certified Public Accountants

Spencer, Iowa  
October 11, 2006

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## SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

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Sioux Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2006 FINANCIAL HIGHLIGHTS

General fund revenues increased from \$5,055,499 in fiscal 2005 to \$5,147,547 in fiscal 2006, while General fund expenditures decreased from \$5,089,696 in fiscal 2005 to \$5,047,801 in fiscal 2006.

The increase in General fund revenues was attributable to an overall increase in most revenue areas. Tuition, state and federal sources, and miscellaneous all increased in revenues, while the local tax revenue decreased slightly. The decrease in expenditures was due primarily to minimal changes in all areas by new administration. The General fund balance increase is the result of the increased revenues and decreased expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The statements for governmental funds explain how basic services, such as regular and special education, were financed in the short term, as well as what remains for future spending.
- The statement for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Other supplementary information provides detailed information about the non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

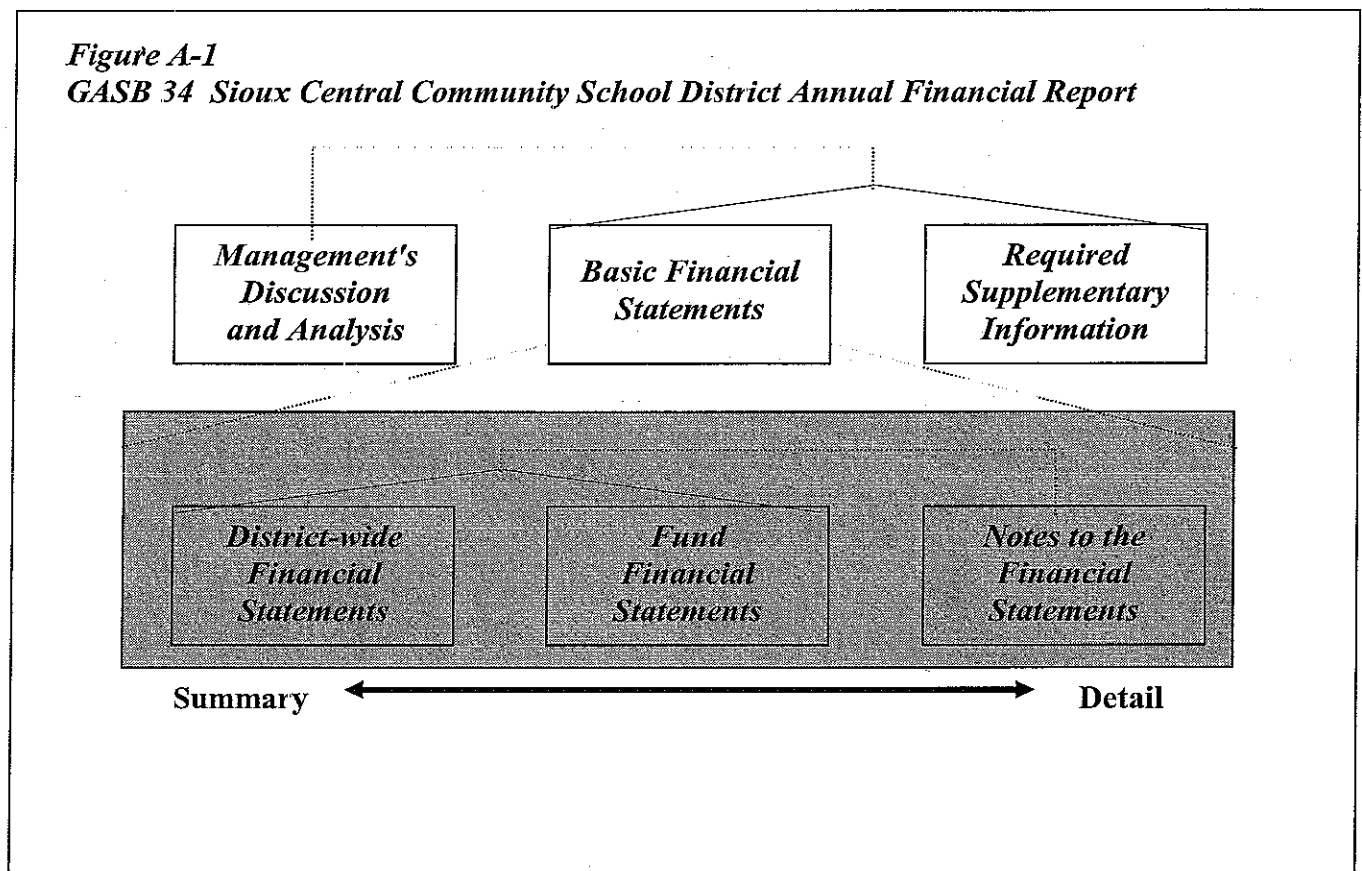




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statement*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Fund.
- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

- 3) *Fiduciary funds:* Fiduciary funds are custodial in nature and are used to account for funds held by the District on behalf of someone else. The District's fiduciary funds include a private purpose scholarship trust fund.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets.

Figure A-3 - Condensed Statement of Net Assets

	Governmental		Business-Type		Total District	
	Activities		Activity			
	2005	2006	2005	2006	2005	2006
Current and Other Assets	\$ 3,334,424	\$ 3,723,658	\$ 58,509	\$ 56,392	\$ 3,392,933	\$ 3,780,050
Capital Assets	5,683,705	5,520,446	28,049	24,535	5,711,754	5,544,981
<b>Total Assets</b>	<b>9,018,129</b>	<b>9,244,104</b>	<b>86,558</b>	<b>80,927</b>	<b>9,104,687</b>	<b>9,325,031</b>
Current Liabilities	2,843,518	3,046,784	-	-	2,843,518	3,046,784
Non-Current Liabilities	3,244,239	2,845,000	-	-	3,244,239	2,845,000
<b>Total Liabilities</b>	<b>6,087,757</b>	<b>5,891,784</b>	<b>-</b>	<b>-</b>	<b>6,087,757</b>	<b>5,891,784</b>
Net Assets Invested in Capital Assets, Net of Related Debt	1,993,012	2,282,557	28,049	24,535	2,021,061	2,307,092
Restricted	253,637	256,061	-	-	253,637	256,061
Unrestricted	683,723	813,702	58,509	56,392	742,232	870,094
<b>Total Net Assets</b>	<b>\$ 2,930,372</b>	<b>\$ 3,352,320</b>	<b>\$ 86,558</b>	<b>\$ 80,927</b>	<b>\$ 3,016,930</b>	<b>\$ 3,433,247</b>

The District's combined net assets were larger at June 30, 2006 than June 30, 2005. The increase occurred as a result of using current revenues to purchase fixed assets and reduce long-term debt.

Figure A-4 shows the changes in net assets.

Figure A-4 - Changes in Net Assets from Operations

	Governmental		Business-Type		Total District		Total % Change
	Activities		Activity				
	2005	2006	2005	2006	2005	2006	
Revenue:							
Program Revenue:							
Charges for Services	\$ 1,182,234	\$ 1,313,017	\$ 132,862	\$ 138,853	\$ 1,315,096	\$ 1,451,870	10.40%
Operating Grants and Contributions	1,034,280	952,845	104,280	110,612	1,138,560	1,063,457	-6.60%
General Revenues:							
Property Tax	2,212,481	2,226,480	-	-	2,212,481	2,226,480	0.63%
LOSSI Tax	243,810	215,403	-	-	243,810	215,403	-11.65%
State Grants	1,330,894	1,404,842	-	-	1,330,894	1,404,842	5.56%
Interest Income	15,261	18,741	268	335	15,529	19,076	22.84%
Contributions	35	1,100	-	-	35	1,100	3042.86%
Miscellaneous	6,553	4,979	-	-	6,553	4,979	-24.02%
Gain on Sale	-	2,387	-	-	-	2,387	-
<b>Total Revenues</b>	<b>6,025,548</b>	<b>6,139,794</b>	<b>237,410</b>	<b>249,800</b>	<b>6,262,958</b>	<b>6,389,594</b>	<b>2.02%</b>
Expenses:							
Instruction	3,469,922	3,245,202	-	-	3,469,922	3,245,202	-6.48%
Support Services	1,620,903	1,846,907	-	-	1,620,903	1,846,907	13.94%
Non-Instructional	473	-	226,094	255,431	226,567	255,431	12.74%
Other Expenses	670,978	567,120	-	-	670,978	567,120	-15.48%
<b>Total Expenses</b>	<b>5,762,276</b>	<b>5,659,229</b>	<b>226,094</b>	<b>255,431</b>	<b>5,988,370</b>	<b>5,914,660</b>	<b>-1.23%</b>
<b>Change in Net Assets</b>	<b>\$ 263,272</b>	<b>\$ 480,565</b>	<b>\$ 11,316</b>	<b>\$ (5,631)</b>	<b>\$ 274,588</b>	<b>\$ 474,934</b>	<b>72.96%</b>

Property tax and unrestricted state grants account for 57% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 86% of the total expenses.

### Governmental Activities

Revenues for governmental activities for the year ended June 30, 2006 were \$6,139,794 and expenses were \$5,659,229.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses.

**Figure A-5 - Net Cost of Governmental Activities**

	Total Cost of Services			Net Cost of Services		
	2005	2006	% Change	2005	2006	% Change
Instruction	\$ 3,469,922	\$ 3,245,202	-6.48%	\$ 1,411,916	\$ 1,153,618	-18.29%
Support Services	1,620,903	1,846,907	13.94%	1,609,209	1,833,760	13.95%
Non- Instructional	473	-	-100.00%	473	-	-100.00%
Other Expenses	670,978	567,120	-15.48%	524,164	405,989	-22.55%
Total	\$ 5,762,276	\$ 5,659,229	-1.79%	\$ 3,545,762	\$ 3,393,367	-4.30%

- The cost financed by users of the District's programs was \$1,182,234 in 2005 and \$1,313,017 in 2006.
- Federal and state governments subsidized certain programs and grants and contributions totaling \$1,034,280 in 2005 and \$952,845 in 2006.
- The net cost of governmental activities was financed with \$2,212,481 and \$2,226,480 in property tax, \$1,330,894 and \$1,404,842 in state foundation aid, \$243,810 and \$215,403 in local option sales and services tax, and \$15,261 and \$18,741 in interest income, for 2005 and 2006 respectively.

### Business-Type Activities

Revenues of the District's business-type activities (school food and nutrition services) totaled \$249,800 and expenses totaled \$255,431. (Refer to Figure A-4.) Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

As previously noted, Sioux Central Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,092,764, a thirteen percent increase over last year's ending fund balances of \$962,996.

## Governmental Fund Highlights

The District attempted to maintain its General Fund balance by cutting expenses from portions of the budget that were not already obligated, such as supplies and maintenance items.

## Proprietary Fund Highlights

The School Nutrition Fund balance decreased due primarily to an increase in the cost of food.

## Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of the is report.

## CAPITAL AND DEBT ADMINISTRATION

At June 30, 2006, the District had invested \$5.4 million, net of accumulated depreciation, in a broad range of assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. This represents a net decrease of 3% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Total depreciation expense for the year was \$267,354.

The original cost of the District's capital assets was \$10,348,891. Governmental funds account for \$10,282,631, with the remainder of \$66,260 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6 - Capital Assets

	Governmental		Business-Type				Total % Change
	Activities		Activity		Total District		
	2005	2006	2005	2006	2005	2006	
Land	\$ 125,495	\$ 125,495	\$ -	\$ -	\$ 125,495	\$ 125,495	0.00%
Buildings	6,377,059	6,377,059	-	-	6,377,059	6,377,059	0.00%
Improvements	58,025	58,025	-	-	58,025	58,025	0.00%
Equipment, Furniture & Vehicles	3,771,857	3,722,052	75,019	66,260	3,846,876	3,788,312	-1.52%
<b>Total</b>	<b>\$ 10,332,436</b>	<b>\$ 10,282,631</b>	<b>\$ 75,019</b>	<b>\$ 66,260</b>	<b>\$ 10,407,455</b>	<b>\$ 10,348,891</b>	<b>-0.56%</b>

## Long-Term Debt

At year-end, the District had \$3,257,763 of general obligation bonds and other long-term debt outstanding. This represents a decrease of approximately 13% from last year. See Figure A-7 below. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-6 - Capital Assets

	Total District		Total %
	2005	2006	Change
General Obligation Bonds	\$ 3,565,000	\$ 3,210,000	-9.96%
Sewer Assessment	25,459	8,725	-65.73%
Capital Lease Payable	100,234	19,165	-80.88%
Early Retirement	42,191	19,873	-52.90%
<b>Total</b>	<b>\$ 3,732,884</b>	<b>\$ 3,257,763</b>	<b>-12.73%</b>

## FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could affect its financial health in the future:

- The District has completed two years of a sharing agreement with Albert City – Truesdale Community School District for academics. The District is also continuing a sharing agreement with South Clay that has been going for almost 10 year. Both agreements are going well.
- The District has experienced declining enrollment the past several years.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired). A solution needs to be found.
- The District has received all the funding for the charter school program at the elementary level.
- Health insurance continues to be a very costly item to the District. The rates have not increased as drastically over the past few years, however they are still extremely high. Even though concessions have been made by employees in regard to deductibles, and coinsurance, other solutions need to be found. The skyrocketing cost of health care and the insurance to cover the cost will soon be unattainable by many.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional information, contact Angie Smith, Business Manager, Sioux Central Community School District, 4440 US Hwy 71, Sioux Rapids, IA 50585.

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**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

	Primary Government Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Pooled Investments	\$ 1,039,408	\$ 47,914	\$ 1,087,322
Receivables:			
Property Tax	88,041	-	88,041
Property Tax - Succeeding Year	2,371,838	-	2,371,838
Accounts	241	248	489
Due from Other Governmental Agencies	224,130	-	224,130
Inventories	-	8,230	8,230
Land	125,495	-	125,495
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,394,951	24,535	5,419,486
Total Assets	<u>9,244,104</u>	<u>80,927</u>	<u>9,325,031</u>
<b>Liabilities</b>			
Accounts Payable	59,105	-	59,105
Accrued Wages and Payroll Liabilities	26,225	-	26,225
Accrued Interest Payable	23,001	-	23,001
Unearned Revenue - Federal Grants	153,853	-	153,853
Deferred Revenue - Succeeding Year Taxes	2,371,838	-	2,371,838
Noncurrent Liabilities:			
Debt Due Within One Year:			
Bonds Payable	365,000	-	365,000
Early Retirement Payable	19,873	-	19,873
Lease Payable	19,165	-	19,165
Sewer Assessment Payable	8,724	-	8,724
Debt Due in More Than One Year:			
Bonds Payable	2,845,000	-	2,845,000
Total Liabilities	<u>5,891,784</u>	<u>-</u>	<u>5,891,784</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	2,282,557	24,535	2,307,092
Restricted for:			
Management Levy	47,091	-	47,091
Physical Plant and Equipment Levy	12,351	-	12,351
Debt Service	51,549	-	51,549
Capital Projects	151,175	-	151,175
Unrestricted	807,597	56,392	863,989
Total Net Assets	<u>\$ 3,352,320</u>	<u>\$ 80,927</u>	<u>\$ 3,433,247</u>

See Accompanying Notes to Financial Statements

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
Instruction:				
Regular Instruction	\$ 2,025,004	\$ 717,549	\$ 589,101	\$ -
Special Instruction	602,269	407,674	23,895	-
Other Instruction	617,929	187,794	165,571	-
Support Services:				
Student Services	123,217	-	1,869	-
Instructional Staff Services	288,543	-	9,956	-
Administration Services	613,163	-	-	-
Operations and Maintenance	520,064	-	-	-
Transportation Services	186,899	-	1,322	-
Central Support Services	115,021	-	-	-
Other Expenditures:				
Long-term Debt Interest and Fiscal Charges	153,412	-	-	-
AEA Flow-Through	161,131	-	161,131	-
Unallocated Depreciation	252,577	-	-	-
Total Governmental Activities	5,659,229	1,313,017	952,845	-
<b>Business-Type Activities:</b>				
School Nutrition Fund	255,431	138,853	110,612	-
<b>Total School District</b>	<b>\$ 5,914,660</b>	<b>\$ 1,451,870</b>	<b>\$ 1,063,457</b>	<b>\$ -</b>

**General Revenues:**

Property Tax Levied For:

    General Purposes

    Debt Service

    Capital Outlay

    Management Levy

Local Option Sales and Services Tax

Unrestricted State Grants

Interest on Investments

Contributions

Miscellaneous

Gain on Equipment Sales

    Total General Revenues

**Change in Net Assets**

**Net Assets - Beginning**

**Prior Period Adjustment**

**Net Assets - Beginning, as Restated**

**Net Assets - Ending**

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (718,354)		\$ (718,354)
(170,700)		(170,700)
(264,564)		(264,564)
(121,348)		(121,348)
(278,587)		(278,587)
(613,163)		(613,163)
(520,064)		(520,064)
(185,577)		(185,577)
(115,021)		(115,021)
(153,412)		(153,412)
-		-
(252,577)		(252,577)
(3,393,367)		(3,393,367)
-	(5,966)	(5,966)
(3,393,367)	(5,966)	(3,399,333)
1,617,959	-	1,617,959
407,240	-	407,240
43,995	-	43,995
157,286	-	157,286
215,403	-	215,403
1,404,842	-	1,404,842
18,741	335	19,076
1,100	-	1,100
4,979	-	4,979
2,387	-	2,387
3,873,932	335	3,874,267
480,565	(5,631)	474,934
2,930,372	86,558	3,016,930
(58,617)	-	(58,617)
2,871,755	86,558	2,958,313
\$ 3,352,320	\$ 80,927	\$ 3,433,247

See Accompanying Notes to Financial Statements

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Pooled Investments	\$ 790,254	\$ 131,502	\$ 117,652	\$ 1,039,408
Receivables:				
Property Taxes	66,238	15,589	6,214	88,041
Property Taxes - Succeeding Year	1,812,286	412,760	146,792	2,371,838
Accounts	200	-	41	241
Due from Other Governmental Agencies	185,776	-	38,354	224,130
Due from Other Funds	24,011	-	95,542	119,553
Total Assets	<u>2,878,765</u>	<u>559,851</u>	<u>404,595</u>	<u>3,843,211</u>
<b>Liabilities and Equity</b>				
<b>Liabilities</b>				
Accounts Payable	49,698	-	9,407	59,105
Accrued Wages and Payroll Liabilities	26,225	-	-	26,225
Early Retirement Payable	-	-	19,873	19,873
Due to Other Funds	-	95,542	24,011	119,553
Due to Other Governmental Agencies	-	-	-	-
Unearned Revenue - Federal Grants	153,853	-	-	153,853
Deferred Revenue - Succeeding Year Taxes	1,812,286	412,760	146,792	2,371,838
Total Liabilities	<u>2,042,062</u>	<u>508,302</u>	<u>200,083</u>	<u>2,750,447</u>
<b>Fund Balances</b>				
Reserved for Debt Service	-	51,549	-	51,549
Unreserved for:				
General Fund	836,703	-	-	836,703
Special Revenue Fund	-	-	53,337	53,337
Capital Project Fund	-	-	151,175	151,175
Total Fund Balances	<u>836,703</u>	<u>51,549</u>	<u>204,512</u>	<u>1,092,764</u>
<b>Total Liabilities and Equity</b>	<u>\$ 2,878,765</u>	<u>\$ 559,851</u>	<u>\$ 404,595</u>	<u>\$ 3,843,211</u>

See Accompanying Notes to Financial Statements

**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 16)	\$ 1,092,764
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	5,520,446
Accrued Interest on long term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(23,001)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(3,237,889)</u>
Total Net Assets - Governmental Activities (page 13)	<u><u>\$ 3,352,320</u></u>

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenue</b>				
Local Sources:				
Local Tax	\$ 1,617,959	\$ 407,240	\$ 416,684	\$ 2,441,883
Tuition	1,084,802	-	-	1,084,802
Other	89,449	535	167,788	257,772
State Sources	1,776,118	-	-	1,776,118
Federal Sources	579,219	-	-	579,219
Total Revenue	<u>5,147,547</u>	<u>407,775</u>	<u>584,472</u>	<u>6,139,794</u>
<b>Expenditures</b>				
Instruction:				
Regular Instruction	2,025,004	-	-	2,025,004
Special Instruction	602,269	-	-	602,269
Other Instruction	445,966	-	180,839	626,805
Support Services:				
Student Services	123,217	-	-	123,217
Instructional Staff Services	288,543	-	-	288,543
Administration Services	613,163	-	-	613,163
Operations and Maintenance	416,146	-	103,918	520,064
Transportation Services	257,341	-	-	257,341
Central Support Services	115,021	-	-	115,021
Other Expenditures:				
Facilities Acquisition and Construction Services	-	-	10,000	10,000
Long-Term Debt:				
Principal	-	452,804	-	452,804
Interest and Fiscal Charges	-	156,047	-	156,047
AEA Flow-Through	161,131	-	-	161,131
Total Expenditures	<u>5,047,801</u>	<u>608,851</u>	<u>294,757</u>	<u>5,951,409</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>99,746</u>	<u>(201,076)</u>	<u>289,715</u>	<u>188,385</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	201,491	-	201,491
Transfers Out	(17,940)	-	(183,551)	(201,491)
Total Other Financing Sources (Uses)	<u>(17,940)</u>	<u>201,491</u>	<u>(183,551)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>81,806</u>	<u>415</u>	<u>106,164</u>	<u>188,385</u>
<b>Fund Balances - Beginning of Year</b>	<u>709,359</u>	<u>39,749</u>	<u>213,888</u>	<u>962,996</u>
<b>Prior Period Adjustment</b>	<u>45,538</u>	<u>11,385</u>	<u>(115,540)</u>	<u>(58,617)</u>
<b>Fund Balances - Beginning of Year, Restated</b>	<u>754,897</u>	<u>51,134</u>	<u>98,348</u>	<u>904,379</u>
<b>Fund Balances - End of Year</b>	<u>\$ 836,703</u>	<u>\$ 51,549</u>	<u>\$ 204,512</u>	<u>\$ 1,092,764</u>

See Accompanying Notes to Financial Statements

**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental funds (page 18)	\$ 188,385
Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(163,259)
Accrued interest expense that does not require current financial resources	2,635
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The Statement of Activities does not reflect the payment of principal on long-term debt. The principal paid on long-term debt during the current year was:	<u>452,804</u>
Change in Net Assets of Governmental Activities (page 15)	<u>\$ 480,565</u>

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**JUNE 30, 2006**

	School Nutrition Fund
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 47,914
Accounts Receivable	248
Inventories	8,230
Total Current Assets	<u>56,392</u>
Noncurrent Assets:	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>24,535</u>
<b>Total Assets</b>	<u><u>80,927</u></u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	24,535
Unrestricted	56,392
<b>Total Net Assets</b>	<u><u>\$ 80,927</u></u>

See Accompanying Notes to Financial Statements



**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2006**

	School Nutrition Fund
<b>Operating Revenues:</b>	
Charges for Services	\$ 138,225
Miscellaneous	628
Total Operating Revenue	<u>138,853</u>
<b>Operating Expenses:</b>	
Non-Instructional Programs:	
Food Service Operations:	
Salaries	77,941
Benefits	31,149
Food	130,215
Supplies	8,348
Other Expense	4,264
Depreciation	3,514
Total Operating Expenses	<u>255,431</u>
<b>Operating (Loss)</b>	(116,578)
<b>Non-Operating Revenue:</b>	
Interest Income	335
State Lunch Reimbursements	3,574
National School Lunch Program	83,182
Federal Food Commodities Received	23,856
Total Non-Operating Revenue	<u>110,947</u>
<b>Change in Net Assets</b>	(5,631)
<b>Net Assets - Beginning</b>	<u>86,558</u>
<b>Net Assets - Ending</b>	<u>\$ 80,927</u>

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**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	School Nutrition Fund
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 138,605
Cash Payments for Salaries and Benefits	(109,090)
Cash Payments for Goods and Services	(121,240)
Net Cash (Used) by Operating Activities	(91,725)
<b>Cash Flows from Non-Capital Financing Activities</b>	
Federal and State Appropriations Received	86,756
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	335
<b>Net Increase in Cash and Cash Equivalents</b>	(4,634)
<b>Cash and Cash Equivalents at Beginning of Year</b>	52,548
<b>Cash and Cash Equivalents at End of Year</b>	\$ 47,914
<b>Reconciliation of Operating (Loss) to Net Cash Used in Operating Activities:</b>	
Operating (Loss)	\$ (116,578)
Adjustments to Reconcile Operating Income (Loss) to Net Cash (Used) in Operating Activities:	
Depreciation Expense	3,514
Commodities Used	23,856
Change in Assets and Liabilities:	
(Increase) in Accounts Receivable	(248)
(Increase) in Inventory	(2,269)
<b>Net Cash (Used) by Operating Activities</b>	\$ (91,725)
<b>Supplemental Schedule of Noncash Noncapital Financial Activities:</b>	
Federal Food Commodities Received	\$ 23,856

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006**

	Private Purpose Trust Scholarship
<b>Assets</b>	
<b>Total Assets</b>	<b>\$ -</b>
<b>Net Assets</b>	
<b>Total Net Assets</b>	<b>\$ -</b>

See Accompanying Notes to Financial Statements

**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006**

	Private Purpose Trust Scholarship
<b>Additions</b>	
Local Sources: Contributions	\$ 3,000
<b>Deductions</b>	
Support Services: Scholarships Awarded	<u>3,000</u>
<b>Change in Net Assets</b>	-
<b>Net Assets - Beginning</b>	<u>-</u>
<b>Net Assets - Ending</b>	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Sioux Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Sioux Rapids, Rembrandt, Lynn Grove and Peterson, Iowa, and agricultural area in Buena Vista, Clay, Cherokee and O'Brien Counties. The District has also entered into a sharing agreement with the Albert City-Truesdale Community School District for academics beginning in 2005. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Sioux Central Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Sioux Central Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Buena Vista and Clay Counties Assessor's Conference Boards.

**B. Basis of Presentation**

Government-wide Financial Statements – The Statements of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- ***Invested in Capital Assets***, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.
- ***Restricted Net Assets*** result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Assets*** consist of net assets that do not meet the definition of the two preceding categories. Unrestricted Net Assets often have constraints on resources that are imposed which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental and proprietary funds:

- The **General Fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.
- The **Debt Service Fund** is used to account for the accumulation of resources for and the payment of general long-term debt principal and interest.
- The District's proprietary fund is the **Enterprise, School Nutrition Fund**. This fund is used to account for the food service operations of the District.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and Basis of Accounting**

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.



**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

**D. Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 1,000
Buildings	\$ 10,000
Improvements other than Buildings	\$ 10,000
Furniture and Equipment:	
School Nutrition Fund Equipment	\$ 10,000
Other Furniture and Equipment	\$ 10,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than Buildings	20 – 50 years
Furniture and Equipment	5 – 15 years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts and related employee benefits would be reported in governmental funds only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2006.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties or use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**E. Budgeting and Budgetary Control**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**Note 2 – CASH AND POOLED INVESTMENTS**

The District's deposits in banks at June 30, 2006, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**Note 2 – CASH AND POOLED INVESTMENTS (Continued)**

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2006.

**Note 3 – CAPITAL ASSETS**

Capital Assets activity for the year ended June 30, 2006, is as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 125,495	\$ -	\$ -	\$ 125,495
Capital assets being depreciated:				
Buildings	6,377,059	-	-	6,377,059
Improvements other than buildings	58,025	-	-	58,025
Furniture and Equipment	3,771,857	104,095	(153,900)	3,722,052
Total capital assets being depreciated	10,206,941	104,095	(153,900)	10,157,136
Less: Accumulated Depreciation for:				
Buildings	1,275,412	127,541	-	1,402,953
Improvements other than buildings	2,901	2,901	-	5,802
Furniture and Equipment	3,370,418	136,912	(153,900)	3,353,430
Total Accumulated Depreciation	4,648,731	267,354	(153,900)	4,762,185
Total capital assets being depreciated, net	5,558,210	(163,259)	-	5,394,951
Governmental activities capital assets, net	\$ 5,683,705	\$(163,259)	\$ -	\$5,520,446
<b>Business-type Activity:</b>				
Furniture and Equipment	\$ 75,019	\$ -	\$ (8,759)	\$ 66,260
Less Accumulated Depreciation	46,970	3,514	(8,759)	41,725
Business-type activity capital assets, net	\$ 28,049	\$ (3,514)	\$ -	\$ 24,535

**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**Note 3 – CAPITAL ASSETS (Continued)**

Depreciation expense was charged to the following functions:

<b>Governmental Activities:</b>	
Transportation Services	\$ 13,784
Other Instruction	993
Unallocated	<u>252,577</u>
Total depreciation expense - governmental activities	<u>\$ 267,354</u>
<b>Business-type Activities:</b>	
Food Service Operations	<u>\$ 3,514</u>

**Reconciliation of Investment in Capital Assets:**

	<u>Governmental Activities</u>	<u>Business-type Activity</u>
Land	\$ 125,495	\$ -
Capital Assets (net of accumulated depreciation)	5,394,951	24,535
Less: Bonds Payable	3,210,000	-
Lease Payable	19,165	-
Sewer Assessment Payable	<u>8,724</u>	<u>-</u>
Investment in Capital Assets, Net of Related Debt	<u>\$ 2,282,557</u>	<u>\$ 24,535</u>

**Note 4 – INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Capital Projects	Debt Service	\$ 183,551
General Fund	Debt Service	<u>17,940</u>
		<u>\$ 201,491</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**Note 5 – LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
General Obligation Bonds	\$3,565,000	\$ -	\$ 355,000	\$3,210,000	\$ 365,000
Capital Lease Payable	100,234	-	81,069	19,165	19,165
Sewer Assessment Payable	25,459	-	16,735	8,724	8,724
Early Retirement	42,191	-	22,318	19,873	19,873
<b>Total Long-Term Liabilities</b>	<b>\$3,732,884</b>	<b>\$ -</b>	<b>\$ 475,122</b>	<b>\$3,257,762</b>	<b>\$ 412,762</b>

**General Obligation Bonds**

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

<b>Year Ending June 30</b>	<b>Interest Rates</b>	<b>Bond Issue of May 1, 1999</b>	
		<b>Principal</b>	<b>Interest</b>
2007	4.10 %	\$ 365,000	\$ 137,760
2008	4.15	390,000	122,795
2009	4.20	405,000	106,610
2010	4.30	410,000	89,600
2011	4.35	435,000	71,970
2012-2014	4.35 - 4.50	1,205,000	97,568
<b>Total</b>		<b>\$ 3,210,000</b>	<b>\$ 626,303</b>

**Capital Lease Payable**

Details of the District's June 30, 2006 capital lease payable are as follows:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2007	\$ 19,165	\$ 116
	<u>\$ 19,165</u>	<u>\$ 116</u>

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 5 – LONG-TERM LIABILITIES (Continued)**

**Sewer/Water Assessment Payable**

The District was assessed \$134,371 on September 1, 1996, by the City of Sioux Rapids for extending sewer and water lines to the school building site. The assessment is to be paid in semi-annual installments of \$8,970.22 for ten years, with an interest rate of 5.65%. The first payment was made on May 1, 1998. Following is a summary of future payments:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 8,724	\$ 246
Total	<u>\$ 8,724</u>	<u>\$ 246</u>

**Early Retirement – Termination Benefits**

The Board of Education established an early retirement policy. All full-time licensed employees who have completed at least 15 years of service within the District and are between the ages of 55 and 65 are eligible to make application for retirement benefits.

At June 30, 2006, the District has obligations to four participants with a total liability of \$19,873. Actual early retirement expenditures for the year ended June 30, 200 totaled \$22,318.

**Note 6 – INTERFUND RECEIVABLES AND PAYABLES**

As of June 30, 2006, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Capital Projects	Debt Service	\$ 95,542
General Fund	Management Fund	24,011
		<u>\$ 119,553</u>

The purpose of the interfund balances is to help finance cash shortage in the Debt Service Fund and for repayment to the General Fund for early retirement benefits.

**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**Note 7 – PENSION AND RETIREMENT BENEFITS**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P O Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004, were \$164,541, \$166,927, and \$148,195 respectively, equal to the required contributions for each year.

**Note 8 – AREA EDUCATION AGENCY**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$161,131 for the year ended June 30, 2006, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 9 – RISK MANAGEMENT**

Sioux Central Community School District is a member in the Iowa School Employees Benefit Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed in July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

Sioux Central Community School District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 10 – DEFICIT FUND BALANCE**

As of June 30, 2006, the following fund had deficit fund balance in the amount shown:

Management Levy                      \$ 19,228

The deficit will be funded by future property tax levies.

**Note 11 – PRIOR PERIOD ADJUSTMENT**

In the financial statements for the years ended June 30, 2005, an error was made in accounting for property taxes and early retirement. The error has been corrected and has had the following effect on the beginning fund balances:

	General Fund	Debt Service Fund	Other Governmental Funds
Beginning Fund Balance, As Previously Reported	\$ 688,953	\$ 39,749	\$ 47,091
Prior Period Adjustment – Property Taxes	54,603	11,385	4,485
Prior Period Adjustment – Early Retirement	-	-	(121,253)
Beginning Fund Balance, As Restated	<u>\$ 743,556</u>	<u>\$ 51,134</u>	<u>\$ (69,677)</u>

- Property tax receivable was not recorded in prior years based on the current financial resources measurement focus, which considers revenues to be measurable and available if they are collected within 60 days after year end.
- A payable was not recorded for the employees who elected to take early retirement in the prior year. The current portion of early retirement should have been recorded in the management funds as of June 30, 2005.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET**  
**AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND - CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts Original	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Final to Actual Variance
<b>Receipts</b>					
Local Sources:					
Local Taxes	\$ 2,239,353	\$ 2,233,877	\$ -	\$ 2,233,877	\$ 5,476
Tuition	400,000	1,019,710	-	1,019,710	(619,710)
Other	473,000	484,545	139,188	623,733	(150,733)
Intermediate Sources	98,000	-	-	-	98,000
State Sources	1,842,259	1,747,230	3,574	1,750,804	91,455
Federal Sources	482,000	722,625	106,290	828,915	(346,915)
Total Receipts	5,534,612	6,207,987	249,052	6,457,039	(922,427)
<b>Expenditures</b>					
Instruction	3,603,512	3,360,892	-	3,360,892	242,620
Support Services	1,512,500	1,904,939	6,749	1,911,688	(399,188)
Non-Instructional Programs	182,000	-	248,682	248,682	(66,682)
Other Expenditures	811,104	789,187	-	789,187	21,917
Total Expenditures	6,109,116	6,055,018	255,431	6,310,449	(201,333)
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(574,504)	152,969	(6,379)	146,590	(721,094)
<b>Other Financing Sources (Uses)</b>					
Operating Transfers From Other Funds	100,000	297,033	-	297,033	(197,033)
Operating Transfers to Other Funds	(100,000)	(297,033)	-	(297,033)	197,033
Total Other Financing Sources (Uses)	-	-	-	-	-
<b>Change in Fund Balance</b>	(574,504)	152,969	(6,379)	146,590	(721,094)
<b>Fund Balance at Beginning of Year</b>	901,769	831,365	86,558	917,923	(16,154)
<b>Fund Balance at End of Year</b>	\$ 327,265	\$ 984,334	\$ 80,179	\$ 1,064,513	\$ (737,248)

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –  
BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2006**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the fiscal year 2006, there were no budget amendments.

As noted previously, the actual results of operations are presented in accordance with generally accepted accounting principles, which differ in certain respects from those practices used in the preparation of the 2005-2006 budget. For purposes of preparing the budget comparison on page 39, the actual expenses have been adjusted to the cash basis, which is consistent with the District's budgeted expenditures/expenses. The adjustments required to convert the expenditures/expenses to cash basis at the end of the year are as follows:

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 6,207,987	\$ (68,193)	\$ 6,139,794
Expenditures	6,055,018	(103,609)	5,951,409
Net	152,969	35,416	188,385
Beginning Fund Balances	831,365	73,014	904,379
Ending Fund Balance	<u>\$ 984,334</u>	<u>\$ 108,430</u>	<u>\$ 1,092,764</u>
	Proprietary Fund		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 249,052	\$ 748	\$ 249,800
Expenditures	255,431	-	255,431
Net	(6,379)	748	(5,631)
Beginning Net Assets	86,558	-	86,558
Ending Net Assets	<u>\$ 80,179</u>	<u>\$ 748</u>	<u>\$ 80,927</u>

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**OTHER SUPPLEMENTARY  
INFORMATION**

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
GOVERNMENTAL NONMAJOR FUNDS  
JUNE 30, 2006**

**SCHEDULE 1**

	Special Revenue Funds				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	
<b>Assets</b>					
Cash and Cash Equivalents	\$ 20,141	\$ 33,776	\$ 46,456	\$ 17,279	\$ 117,652
Receivables:					
Property Tax	4,474	-	1,740	-	6,214
Succeeding Year Property Tax	100,000	-	46,792	-	146,792
Other	41	-	-	-	41
Due from Other Governmental Agencies	-	-	-	38,354	38,354
Due from Other Funds	-	-	-	95,542	95,542
<b>Total Assets</b>	<u>124,656</u>	<u>33,776</u>	<u>94,988</u>	<u>151,175</u>	<u>404,595</u>
<b>Liabilities</b>					
Accounts Payable	-	6,153	3,254	-	9,407
Early Retirement Payable	19,873	-	-	-	19,873
Due to Other Funds	24,011	-	-	-	24,011
Deferred Revenue - Succeeding Year Taxes	100,000	-	46,792	-	146,792
<b>Total Liabilities</b>	<u>143,884</u>	<u>6,153</u>	<u>50,046</u>	<u>-</u>	<u>200,083</u>
<b>Fund Balance</b>					
Unreserved for:					
Special Revenue Funds	(19,228)	27,623	44,942	-	53,337
Capital Project Fund	-	-	-	151,175	151,175
<b>Total Fund Balance</b>	<u>(19,228)</u>	<u>27,623</u>	<u>44,942</u>	<u>151,175</u>	<u>204,512</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 124,656</u>	<u>\$ 33,776</u>	<u>\$ 94,988</u>	<u>\$ 151,175</u>	<u>\$ 404,595</u>

See Accompanying Independent Auditor's Report



**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT** **SCHEDULE 2**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL NONMAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Special Revenue Funds				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	
<b>Revenues</b>					
Local Sources					
Local Tax	\$ 157,286	\$ -	\$ 43,995	\$ 215,403	\$ 416,684
Other	4,495	162,250	622	421	167,788
<b>Total Revenues</b>	<u>161,781</u>	<u>162,250</u>	<u>44,617</u>	<u>215,824</u>	<u>584,472</u>
<b>Expenditures</b>					
Instruction:					
Other Instruction	19,873	160,966	-	-	180,839
Support Services:					
Operation and Maintenance	91,459	-	3,254	9,205	103,918
Other Expenditures:					
Facilities Acquisition and Construction	-	-	10,000	-	10,000
<b>Total Expenditures</b>	<u>111,332</u>	<u>160,966</u>	<u>13,254</u>	<u>9,205</u>	<u>294,757</u>
<b>Excess of Revenues Over Expenditures</b>	50,449	1,284	31,363	206,619	289,715
<b>Other Financing (Uses):</b>					
Transfers Out	-	-	-	(183,551)	(183,551)
<b>Total Other Financing (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(183,551)</u>	<u>(183,551)</u>
<b>Excess of Revenues Over Expenditures and Other Financing (Uses)</b>	50,449	1,284	31,363	23,068	106,164
<b>Fund Balance at Beginning of Year</b>	47,091	26,339	12,351	128,107	213,888
<b>Prior Period Adjustment</b>	(116,768)	-	1,228	-	(115,540)
<b>Fund Balance at Beginning of Year, Restated</b>	<u>(69,677)</u>	<u>26,339</u>	<u>13,579</u>	<u>128,107</u>	<u>98,348</u>
<b>Fund Balance at End of Year</b>	<u>\$ (19,228)</u>	<u>\$ 27,623</u>	<u>\$ 44,942</u>	<u>\$ 151,175</u>	<u>\$ 204,512</u>

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**SCHEDULE 3**

	Balance June 30, 2005	Revenues	Expenditures	Balance June 30, 2006
<b>Senior High</b>				
Drama	7,582	2,651	2,886	7,347
Spanish Club	454	94	18	530
Cross Country	(2,630)	1,388	1,689	(2,931)
Basketball	1,044	8,987	7,123	2,908
Football	(67)	12,725	13,509	(851)
Baseball/Softball	(9,881)	15,020	16,562	(11,423)
Track	(17,753)	5,879	6,753	(18,627)
Golf	(1,484)	735	444	(1,193)
Wrestling	(11,631)	4,289	3,155	(10,497)
Volleyball	98	2,541	3,226	(587)
Drill Team	(1,564)	10,093	9,565	(1,036)
SC Specialties	4	1,419	1,422	1
Cheerleading	123	1,418	1,421	120
Class of 2005	2,325	-	2,325	-
Class of 2006	639	-	639	-
Class of 2007	2,656	17,605	18,289	1,972
Class of 2008	1,767	-	-	1,767
Class of 2009	1,252	-	-	1,252
HS Student Council	7,523	4,941	3,819	8,645
National Honor Society	(363)	-	478	(841)
Awards Fund	3,057	9,329	6,771	5,615
HS Activity Pass	5,618	1,101	2,417	4,302
FFA	2,116	27,073	26,669	2,520
FCCLA	-	970	631	339
	<u>(9,115)</u>	<u>128,258</u>	<u>129,811</u>	<u>(10,668)</u>
<b>Junior High</b>				
JH Cross Country	645	500	-	1,145
JH Football	5,573	13	297	5,289
JH Baseball	(1,715)	3,500	1,311	474
JH Basketball	(4,699)	6,765	1,173	893
JH Volleyball	(1,171)	2,129	327	631
JH Softball	(3,229)	3,795	485	81
JH Track	(3,696)	5,193	1,030	467
JH Candy/Juice	20,992	-	15,862	5,130
	<u>12,700</u>	<u>21,895</u>	<u>20,485</u>	<u>14,110</u>
<b>Elementary</b>				
Elementary Principal	3,054	5,893	7,295	1,652
Jump Rope for Heart	15	-	15	-
Accelerated Reader	3	-	3	-
Elementary Activity Pass	1,895	25	-	1,920
Elementary Book Fair	2,580	5,399	2,407	5,572
Box Tops	901	475	900	476
	<u>8,448</u>	<u>11,792</u>	<u>10,620</u>	<u>9,620</u>
<b>Miscellaneous</b>				
Interest	658	245	-	903
Family Activity Pass	9,241	60	-	9,301
Adult Activity Pass	3,692	-	-	3,692
Electrathon	715	-	50	665
	<u>14,306</u>	<u>305</u>	<u>50</u>	<u>14,561</u>
<b>Total for Activity Funds</b>	<u>\$ 26,339</u>	<u>\$ 162,250</u>	<u>\$ 160,966</u>	<u>\$ 27,623</u>

See Accompanying Independent Auditor's Report

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE LAST THREE YEARS**

**SCHEDULE 4**

	Modified Accrual Basis of Accounting		
	2006	2005	2004
<b>Revenues:</b>			
Local Sources:			
Local Tax	\$ 2,441,883	\$ 2,456,291	\$ 2,298,569
Tuition	1,084,802	965,960	455,715
Other	257,772	236,111	197,783
Intermediate Sources	-	-	-
State Sources	1,776,118	1,642,643	1,668,404
Federal Sources	579,219	724,543	452,558
	<u>\$ 6,139,794</u>	<u>\$ 6,025,548</u>	<u>\$ 5,073,029</u>
<b>Expenditures:</b>			
Instruction:			
Regular Instruction	\$ 2,025,004	\$ 2,226,542	\$ 2,310,179
Special Instruction	602,269	719,023	766,178
Other Instruction	626,805	550,065	296,798
Support Services:			
Student Services	123,217	96,495	138,816
Instructional Staff Services	288,543	99,138	56,183
Administration Services	613,163	662,386	430,562
Operations and Maintenance	520,064	513,389	428,161
Transportation Services	257,341	214,250	140,968
Central Support Services	115,021	93,214	-
Non-Instructional Programs	-	473	1,479
Other Expenditures:			
Facilities Acquisition	10,000	117,016	33,693
Long-term Debt:			
Principal	452,804	290,000	336,578
Interest and Other Charges	156,047	221,243	244,075
AEA Flowthrough	161,131	146,814	151,819
	<u>\$ 5,951,409</u>	<u>\$ 5,950,048</u>	<u>\$ 5,335,489</u>

**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006**

**SCHEDULE 5**

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
<b>Direct:</b>			
U.S. Department of Agriculture:			
Secondary Agriculture Education Grants	10 226	FY06	34,665
U.S. Department of Education:			
Safe and Drug Free Schools Grants to Reduce Alcohol Abuse	84.184A	FY06	155,676
U.S. Department of Health and Human Services:			
Rural Health Outreach Grant	93 912	FY06	116,521
Other Departments			
NASA Grant	43 001	FY06	2,500
Total Direct			<u>309,362</u>
<b>Indirect:</b>			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution	10 550	FY06	21,588
School Nutrition Cluster Programs:			
School Breakfast Program	10 553	FY06	9,064
National School Lunch Program	10 555	FY06	73,618
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84 010	FY06	63,403
Title I Program for Neglected & Delinquent Children	84 013	FY06	13,465
Special Education - Grants to States	84.027	FY06	22,844
Safe and Drug-Free Schools and Communities - States Grants	84.186A	FY06	1,869
Innovative Education Program Strategies (Title V Program)	84.298A	FY06	1,360
Charter Schools	84.282	FY06	107,862
Grants for State Assessments and Related Activities	84.369	FY06	3,456
Title IIA - Federal Teacher Quality Program	84.367	FY06	20,544
Total Indirect			<u>339,073</u>
Total Direct and Indirect			<u>\$ 648,435</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Sioux Central Community School District and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Board of Education of the  
Sioux Central Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sioux Central Community School District, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 11, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sioux Central Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Sioux Central Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 06-II-A and 06-II-B is a material weakness. Prior year reportable conditions have all been resolved except for item 05-II-A

Compliance

As part of obtaining reasonable assurance about whether Sioux Central Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain

provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006, are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sioux Central Community School District and other parties to whom Sioux Central Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sioux Central Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Williams & Company, P.C.*  
Certified Public Accountants

Spencer, Iowa  
October 11, 2006

**Independent Auditors' Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

To the Board of Education of the  
Sioux Central Community School District:

**Compliance**

We have audited the compliance of Sioux Central Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Sioux Central Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs are the responsibility of Sioux Central Community School District's management. Our responsibility is to express an opinion on Sioux Central Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sioux Central Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Sioux Central Community School District's compliance with those requirements.

As described in item 06-III-A in the accompanying schedule of findings and questioned costs, Sioux Central Community School District did not comply with requirements regarding the draw down of grant funds that are applicable to it Grant to Reduce Alcohol Abuse. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Sioux Central Community School District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

**Internal Control Over Compliance**

The management of Sioux Central Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we

considered Sioux Central Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts, and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 06-III-B and 06-III-C to be a material weakness.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of Sioux Central Community School District and other parties to whom Sioux Central Community School District may report, including federal awarding agencies and pass-through entities. This report is intended to be and should not be used by anyone other than these specified parties.

*Williams + Company, P.C.*

Certified Public Accountants

Spencer, Iowa  
October 11, 2006



**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006**

**PART I – SUMMARY OF INDEPENDENT AUDITOR’S RESULTS**

- (A) An unqualified opinion was issued on the financial statements
- (B) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (C) The audit did not disclose any non-compliance, which is material to the financial statements.
- (D) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including material weaknesses.
- (E) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (F) Major programs were as follows:
  - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
  - CFDA Number 84.186A – Grants to Reduce Alcohol Abuse
  - CFDA Number 84.282 – Charter School Grant
- (G) The dollar threshold used to distinguish between Type A and Type B was \$300,000.
- (H) Sioux Central Community School District did not qualify as a low-risk auditee.
- (I) The audit disclosed audit findings, which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).

**PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)**

**INSTANCES OF NON-COMPLIANCE:** No matters were reported.

**REPORTABLE CONDITIONS:**

**06-II-A Segregation of Duties**

Observation – During our review of internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District’s financial statements.

Recommendation – We realize with a limited number of personnel, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006**

**PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)**

Response – The District feels that additional personnel would not be cost effective. However, management and the school board will review procedures and investigate available alternatives.

Conclusion – Response accepted.

**06-II-B Grant Administration**

Observation – The District does not have an adequate system in place to monitor the various grants received by the District. Budgets, draw downs and reporting requirements were done with little or no administrative oversight.

Recommendation – The District should assign an individual to be responsible for grant administration including internal accounting and external reporting to ensure both timely and accurate reimbursement and compliance with applicable laws, regulations, contracts, and grant agreements.

Response – The District understands the nature of the weakness and will strive to improve grant administration

Conclusion – Response accepted.

**PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**INSTANCES OF NON-COMPLIANCE:**

CFDA Number 84.186A: Grants to Reduce Alcohol Abuse  
Federal Award Year: 2006  
U.S. Department of Education

**06-III-A Drawdown of Grant Funds**

Observation – During our testing, we found that the District requested more in grant funds from the Grant Administration and Payment System than they had in expenditures.

Recommendation – We recommended that the care is taken and procedures put in place where requests for grant reimbursements are reviewed and checked in order to ensure the proper amount of funding is received.

Current Status – Future requests for grant reimbursements were reduced by the amount the District had been overpaid.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006**

**PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (CONTINUED)**

**REPORTABLE CONDITIONS:**

**06-III-B Segregation of Duties**

Observation – During our review of internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements.

Recommendation – We realize with a limited number of personnel, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – The District feels that additional personnel would not be cost effective. However, management and the school board will review procedures and investigate available alternatives.

Conclusion – Response accepted.

**06-III-C Grant Administration**

Observation – The District does not have an adequate system in place to monitor the various grants received by the District. Budgets, draw downs and reporting requirements were done with little or no administrative oversight.

Recommendation – The District should assign an individual to be responsible for grant administration including internal accounting and external reporting to ensure both timely and accurate reimbursement and compliance with applicable laws, regulations, contracts, and grant agreements.

Response – The District understands the nature of the weakness and will strive to improve grant administration.

Conclusion – Response accepted.

**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006**

**PART IV – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING**

06-IV-A: Certified Budget – Disbursements for the year ended June 30, 2006, exceeded the amounts budgeted in the support services and non-instructional programs functional areas.

Recommendation – The budget should have been amended in accordance with Chapter 24 9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – The District will amend future budgets before expenditures exceed the budget.

Conclusion – Response accepted.

06-IV-B: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted

06-IV-C: Travel Expense – No expenditures of Sioux Central Community School District were for travel expenses of spouses of District officials or employees.

06-IV-D: Business Transactions – No business transactions between the District and the District officials or employees were noted.

06-IV-E: Board Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.

06-IV-F: Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

06-IV-G: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.

06-IV-H: Certified Annual Report – The Certified Annual Report was filed timely with the Department of Education.

06-IV-I: Deficit Balances – Several student activity accounts as well as the management levy special revenue fund had deficit balances at June 30, 2006.

Recommendation – We recommend that the District should investigate alternatives to significantly reduce and/or eliminate this deficit.

Response – The District is aware of this situation and will investigate alternatives to significantly reduce and/or eliminate this deficit by June 30, 2007.

Conclusion – Response accepted

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2006**

05-II-A Segregation of Duties - It was noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation – With a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Current Status – This finding still exists at June 30, 2006 (See Comment 06-II-A).

